

**BATTLE CREEK
LOCAL DEVELOPMENT
FINANCE AUTHORITY
(A Component Unit of the
City of Battle Creek, Michigan)**

Battle Creek, Michigan

BASIC FINANCIAL STATEMENTS

**For the Year Ended
June 30, 2008**



REHMANN ROBSON

Certified Public Accountants

BATTLE CREEK LOCAL DEVELOPMENT FINANCE AUTHORITY
(A Component Unit of the
City of Battle Creek, Michigan)

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



INDEPENDENT AUDITORS' REPORT

December 10, 2008

Board of Directors
Battle Creek Local Development Finance Authority
City of Battle Creek, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the ***Battle Creek Local Development Finance Authority, a component unit of the City of Battle Creek, Michigan***, as of and for the year ended June 30, 2008, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the ***Battle Creek Local Development Finance Authority*** as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Authority has not presented Management's Discussion and Analysis and a budgetary comparison for the general fund as required supplementary information. The Governmental Accounting Standards Board has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

BASIC FINANCIAL STATEMENTS

BATTLE CREEK LOCAL DEVELOPMENT FINANCE AUTHORITY

Statement of Net Assets and Governmental Fund Balance Sheet June 30, 2008

	<u>General</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Assets			
Pooled cash and investments	\$ 14,845	\$ -	\$ 14,845
Interest receivable	<u>118</u>	<u>-</u>	<u>118</u>
Total assets	<u><u>\$ 14,963</u></u>	-	14,963
Fund balance			
Unreserved, undesignated	<u><u>\$ 14,963</u></u>	<u>(14,963)</u>	<u>-</u>
Net assets			
Unrestricted		<u><u>\$ 14,963</u></u>	<u><u>\$ 14,963</u></u>

The accompanying notes are an integral part of these financial statements.

BATTLE CREEK LOCAL DEVELOPMENT FINANCE AUTHORITY

Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances For the Year Ended June 30, 2008

	<u>General</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Property taxes	\$ 11,267	\$ -	\$ 11,267
Investment earnings	740	-	740
Total revenues	12,007	-	12,007
Expenditures/expenses			
Community development	1,500	-	1,500
Revenues over (under) expenditures	10,507	(10,507)	
Change in net assets		10,507	10,507
Fund balances/net assets			
Beginning of year	4,456	-	4,456
End of year	<u>\$ 14,963</u>	<u>\$ -</u>	<u>\$ 14,963</u>

The accompanying notes are an integral part of these financial statements.

BATTLE CREEK LOCAL DEVELOPMENT FINANCE AUTHORITY

**Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2008**

	<u>Budget (Original and Final)</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
Revenues			
Property taxes	\$ -	\$ 11,267	\$ 11,267
Investment earnings	-	740	740
Total revenues	-	12,007	12,007
Expenditures			
Community development	-	1,500	1,500
Net change in fund balance	-	10,507	10,507
Fund balance, beginning of year	4,456	4,456	-
Fund balance, end of year	<u>\$ 4,456</u>	<u>\$ 14,963</u>	<u>\$ 10,507</u>

The accompanying notes are an integral part of these financial statements.

BATTLE CREEK LOCAL DEVELOPMENT FINANCE AUTHORITY

Notes To Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – These financial statements present the activities of the Battle Creek Local Development Finance Authority (the “Authority”). The Authority was established in April 2001 pursuant to Public Act 248 of 2000. The primary purpose of the Authority is to encourage technological development through the City of Battle Creek’s *SmartZone*. The Authority’s activities are primarily funded through tax increment financing.

The Authority is a component unit of the City of Battle Creek, Michigan (the “City”) because the City appoints the Authority’s Board of Directors, it has the ability to significantly influence the Authority’s operations, and it is financially accountable for the Authority as defined under GASB Statement No. 14, *The Financial Reporting Entity*. Accordingly, the Authority is presented as a discrete component unit in the City’s financial statements and is an integral part of that reporting entity.

Government-wide and Fund Financial Statements – As permitted by GASB Statement No. 34, the Authority uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances. Major individual governmental funds are reported as separate columns in the aforementioned financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation – The government-wide financial information is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial information is reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

BATTLE CREEK LOCAL DEVELOPMENT FINANCE AUTHORITY

Notes To Basic Financial Statements

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Authority reports a single major governmental fund – the general fund. The *general fund* is the Authority’s primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund, if any.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

Budgetary Information – The Authority did not adopt a budget for the Local Development Finance Authority general fund as required by Public Act 493 of 2000 (MCL 141.421, et al.).

2. POOLED CASH AND INVESTMENTS

At year-end, the carrying amount of the Authority’s pooled cash and investments, which were deposited entirely in the City’s internal cash management pool, was \$14,845. Because it is infeasible to allocate risk to individual component units or pool participants, aggregate cash and investment categorizations are presented in the City’s basic financial statements.

3. PROPERTY TAXES

Property tax revenue is derived pursuant to a tax increment financing agreement between the Authority and various applicable taxing districts. Real and personal property taxes are levied and attach as an enforceable lien on properties located within the boundaries of the tax increment financing district. The City of Battle Creek bills and collects the taxes on behalf of the Authority. Delinquent taxes on ad valorem real property are purchased by Calhoun County. Property tax revenue is recognized when levied in the government-wide financial statements and in the fund financial statements to the extent that it results in current receivables.

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